



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

March 29, 2006

The Honorable Laura Knaperek, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Knaperek and Senator Blendu:

Our Office has recently completed a 6-month followup of the Department of Revenue—Audit Division, regarding the implementation status of the 9 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in August 2005 (Auditor General Report No. 05-06). As the attached grid indicates:

- 4 are in the process of being implemented, and
- 5 have not been implemented.

Our Office will continue to follow up at 6-month intervals with the Department on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Debbie Davenport
Auditor General

DD:Acm
Attachment

cc: Gale Garriott, Director
Department of Revenue

**DEPARTMENT OF REVENUE
AUDIT DIVISION
6-Month Follow-Up Report To
Auditor General Report No. 05-06**

FINDING 1: Division needs to take additional steps to better manage limited resources

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. To ensure its resource-allocation decisions are based on complete and accurate information, the Division should ensure staff are trained on:		
a. what data must be entered into ESKORT;	Implementation in Process	
b. how to enter the data; and	Implementation in Process	
c. the importance of ensuring the data is complete.	Implementation in Process	
2. When the Division has complete and accurate data on ESKORT, it should use the data to improve the business plans. Specifically, business plans should include:		
a. the number of staff hours available for audits;	Not Implemented	This recommendation cannot be implemented until ESKORT is fully implemented.

**DEPARTMENT OF REVENUE
AUDIT DIVISION
6-Month Follow-Up Report To
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FINDING 1: Division needs to take additional steps to better manage limited resources (concl'd)

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
b. the number of audits to be performed;	Not Implemented	This recommendation cannot be implemented until ESKORT is fully implemented.
c. the analysis of audit costs compared to the additional revenue received; and	Not Implemented	This recommendation cannot be implemented until ESKORT is fully implemented.
d. the Division's resource-allocation decisions.	Not Implemented	This recommendation cannot be implemented until ESKORT is fully implemented.

**DEPARTMENT OF REVENUE
AUDIT DIVISION
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FINDING 2: Division should further improve its audit selection processes

Recommendation	Status of Implementing Recommendation	Explanation for Recommendations That Have Not Been Implemented
1. The Division should ensure that all audit units draft rules encompassing key methods for selecting audits through ESKORT.	Implementation in Process	
2. The Division should ensure that the ESKORT audit selection rules are regularly and appropriately evaluated. This evaluation should ensure that the audit selection rules are selecting audits that help meet the Division's objectives of increasing revenues, compliance rates, and cost-effectiveness.	Not Implemented	The Division will not be able to implement this recommendation until ESKORT is fully operational.